Using the CAH Financial Indicator Report

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Agenda

- Overview of CAH performance (US vs AR)
- Using the *CAHFIR*
- Future Directions

Measuring CAH Financial Performance

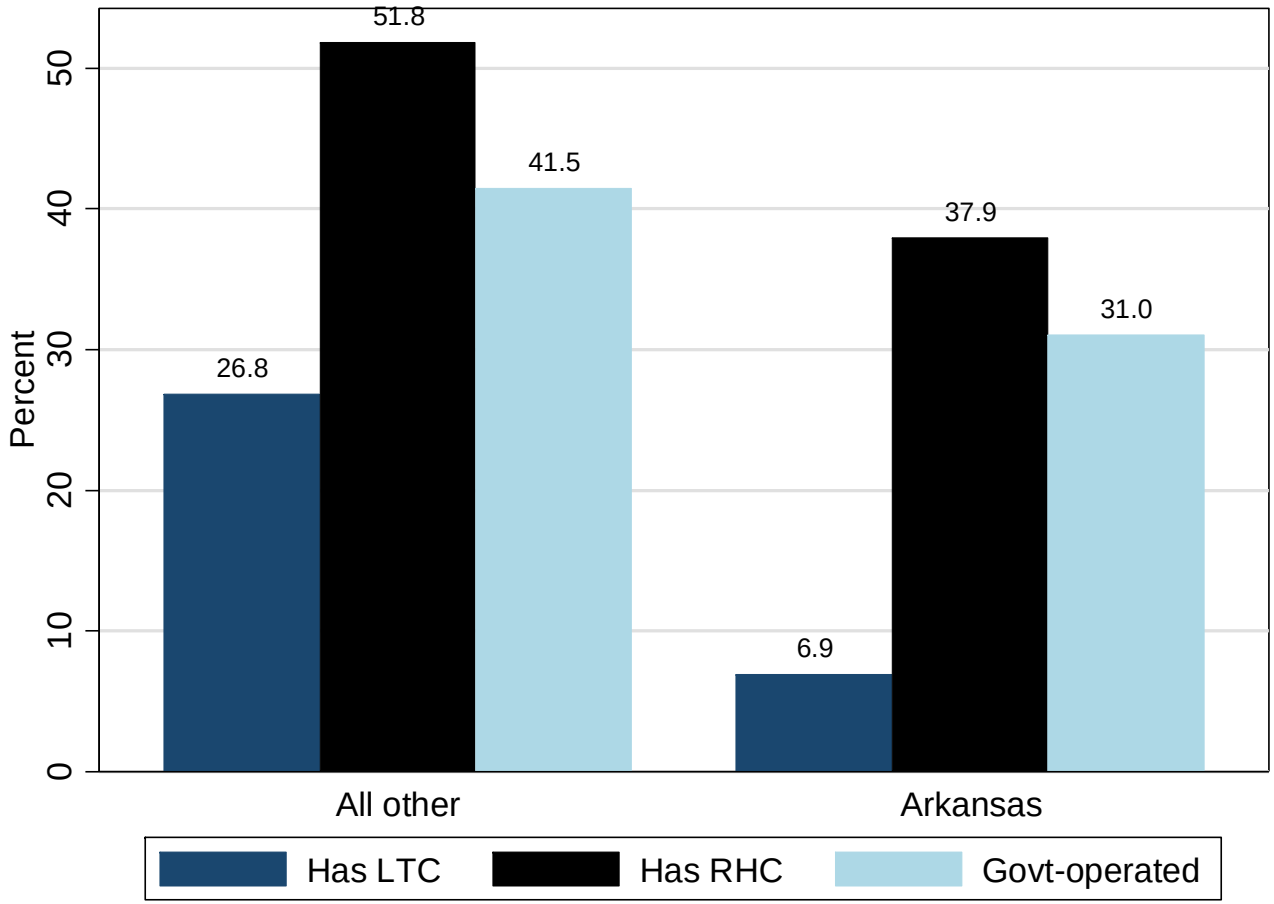
- The Flex Monitoring Team has measured and reported CAH financial performance for 11 years.
- Key data source: Medicare Cost Reports have national data on key indicators for “all” CAHs
  - Limitations: data quality*, timeliness
- Developed and continually refined incrementally over this period through feedback from practitioners

Measuring CAH Financial Performance

- Financial performance measured using 22 indicators across 6 dimensions:
  - Profitability
  - Liquidity
  - Capital Structure
  - Revenue
  - Cost
  - Utilization
- 24 peer groups by LTC, RHC, govt, size

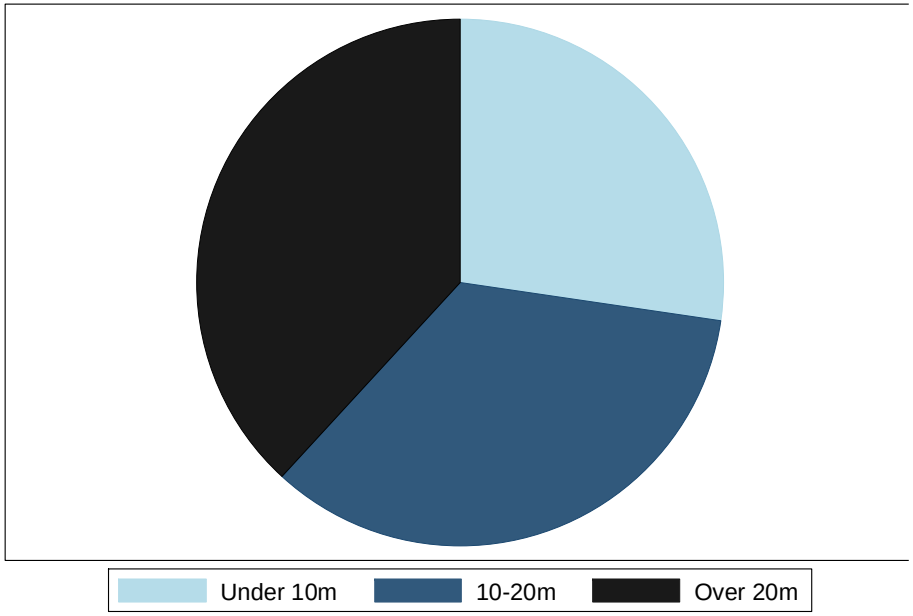
Comparing AR to US: peer groups

AR CAHs Less likely to offer LTC, RHC; slightly less less likely to be govt-operated

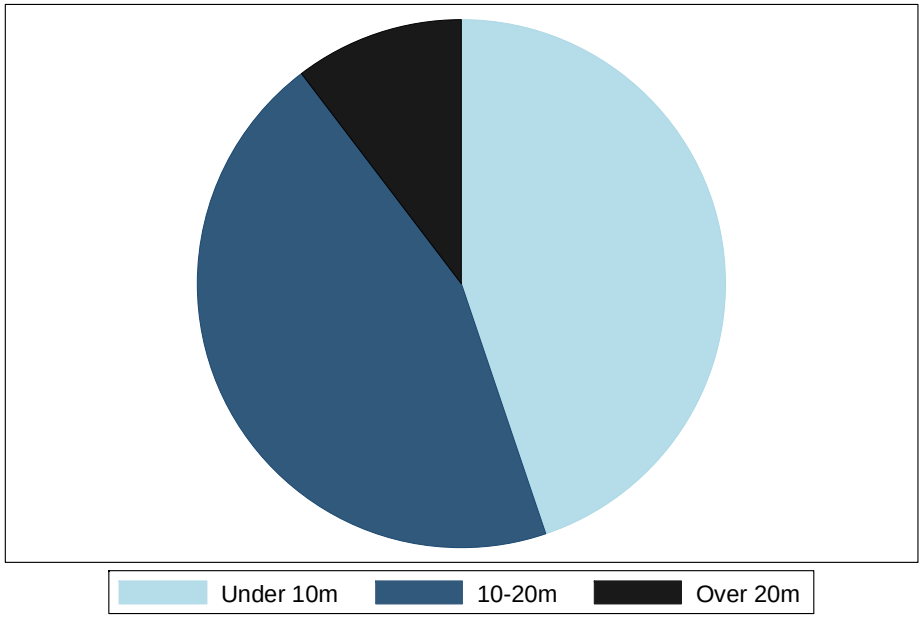


Comparing AR to US: peer groups

All Other CAHs



Arkansas CAHs



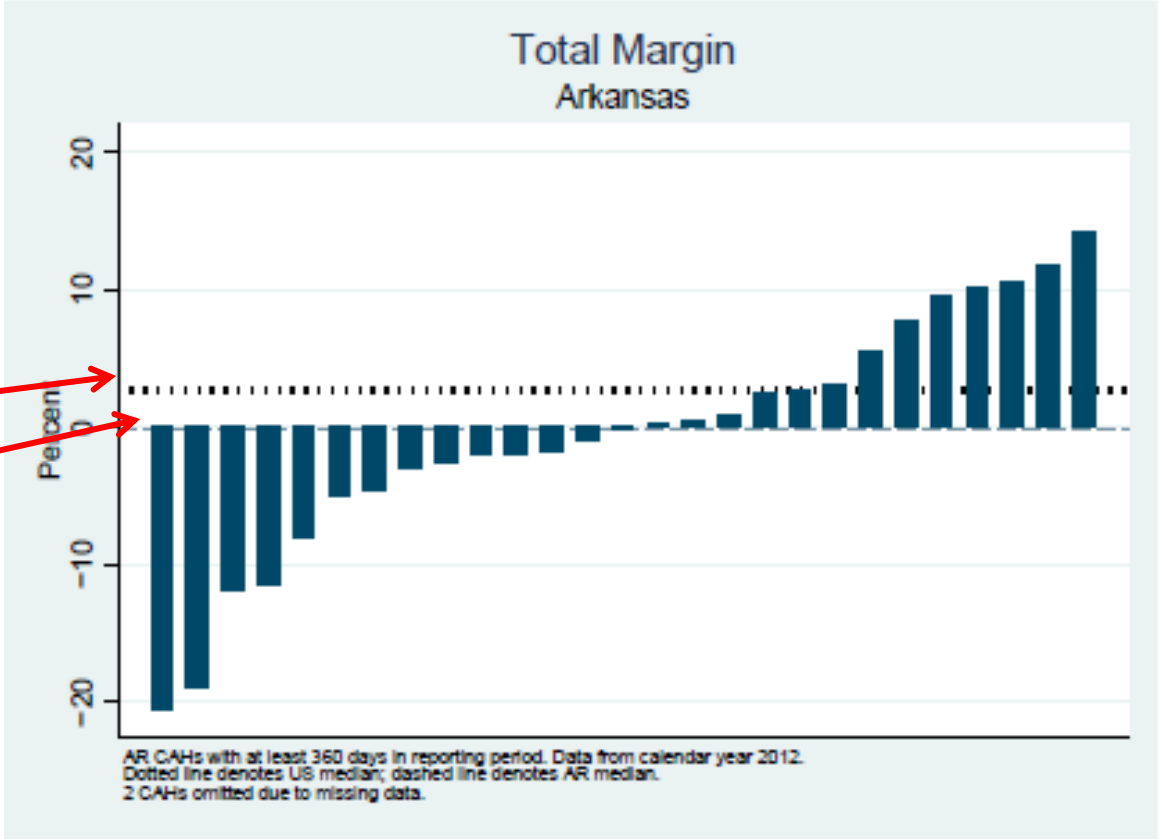
AR CAHs are smaller

Comparing AR to US: profitability

Generally lower total margin in AR CAHs

US median

AR median

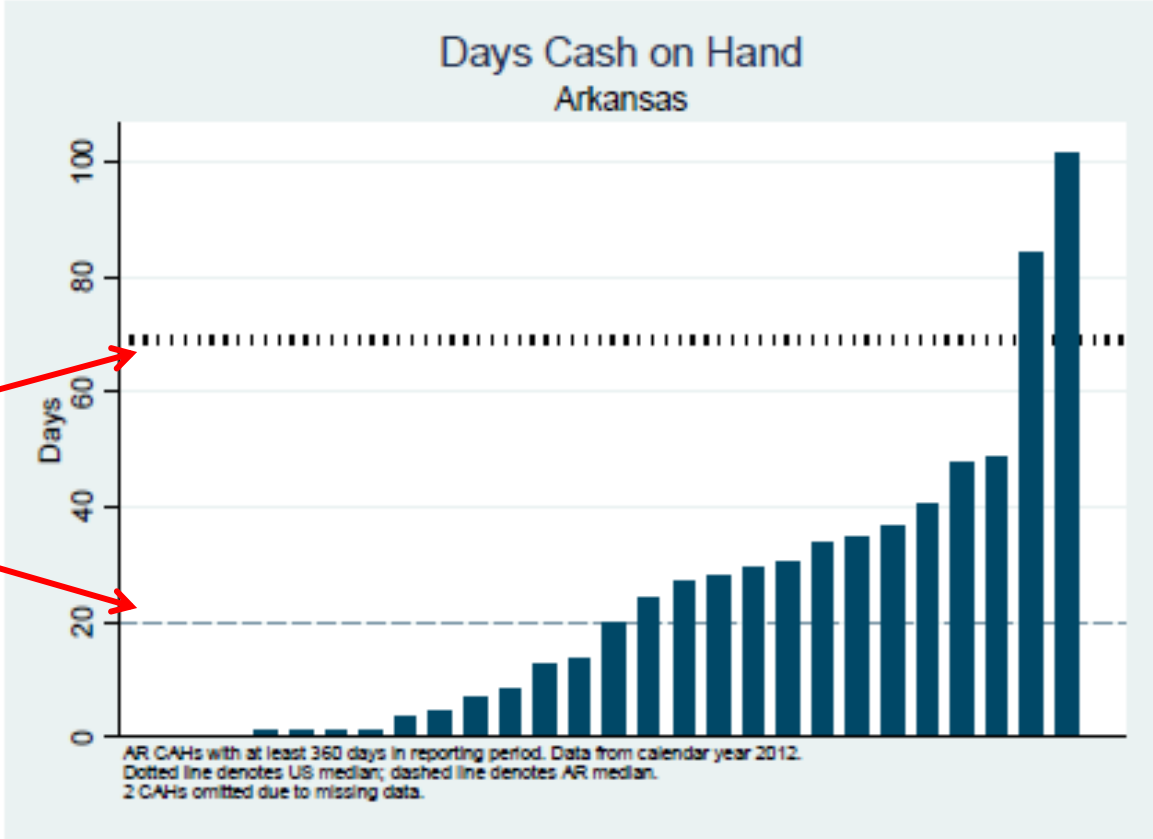


Comparing AR to US: liquidity

Lower days COH in AR CAHs

US median

AR median

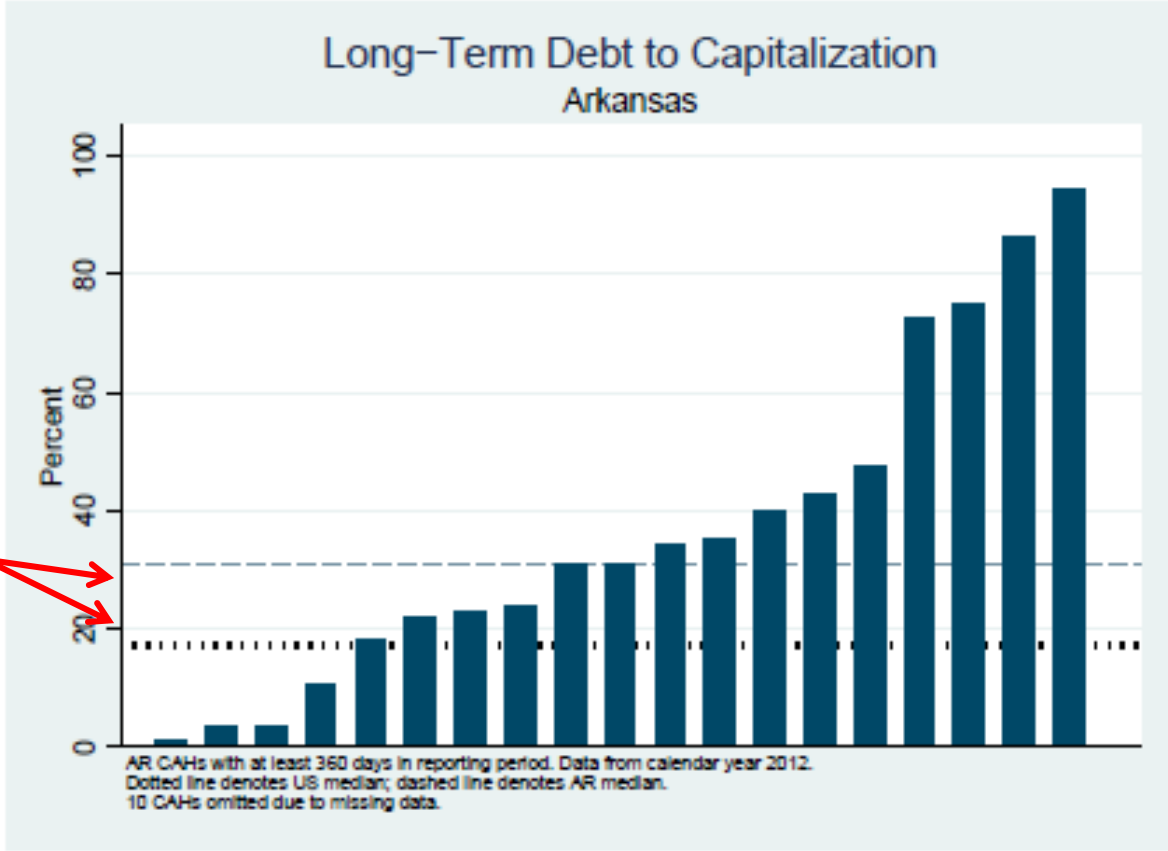


Comparing AR to US: capital structure

More debt in AR CAHs

US median

AR median

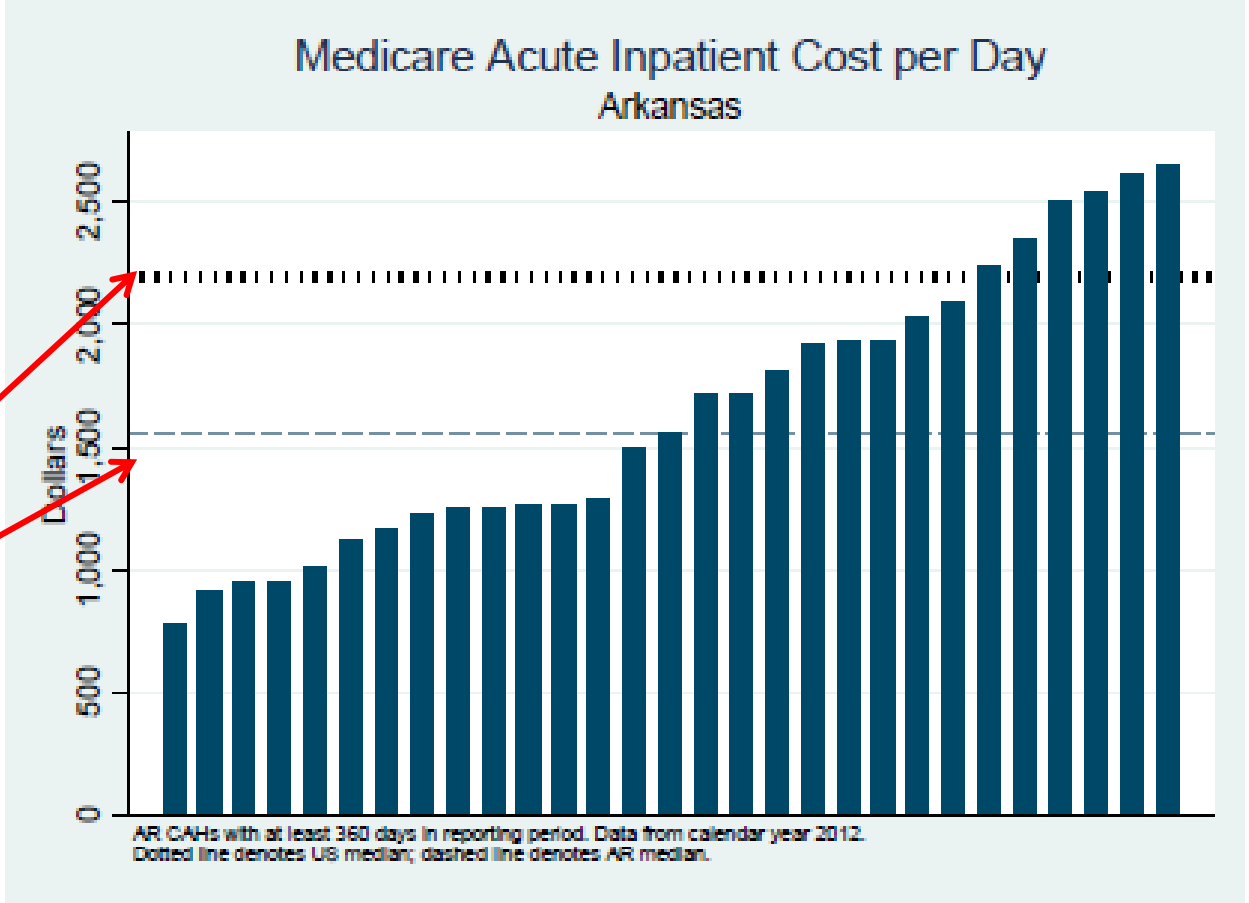


Comparing AR to US: cost

Lower cost in AR CAHs

US median

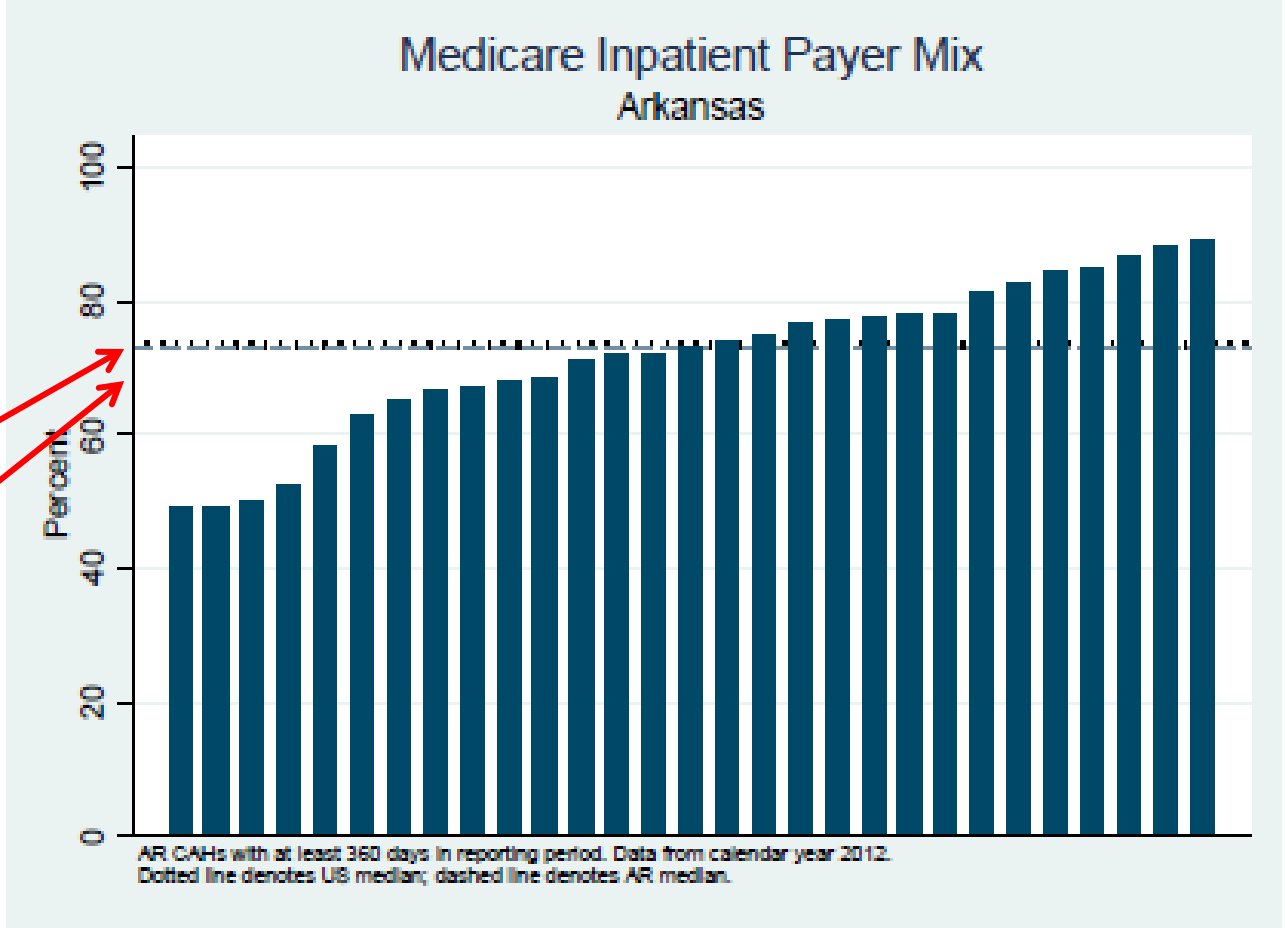
AR median



Comparing AR to US: revenue

Typical Medicare inpatient payer mix in AR CAHs

US median
AR median

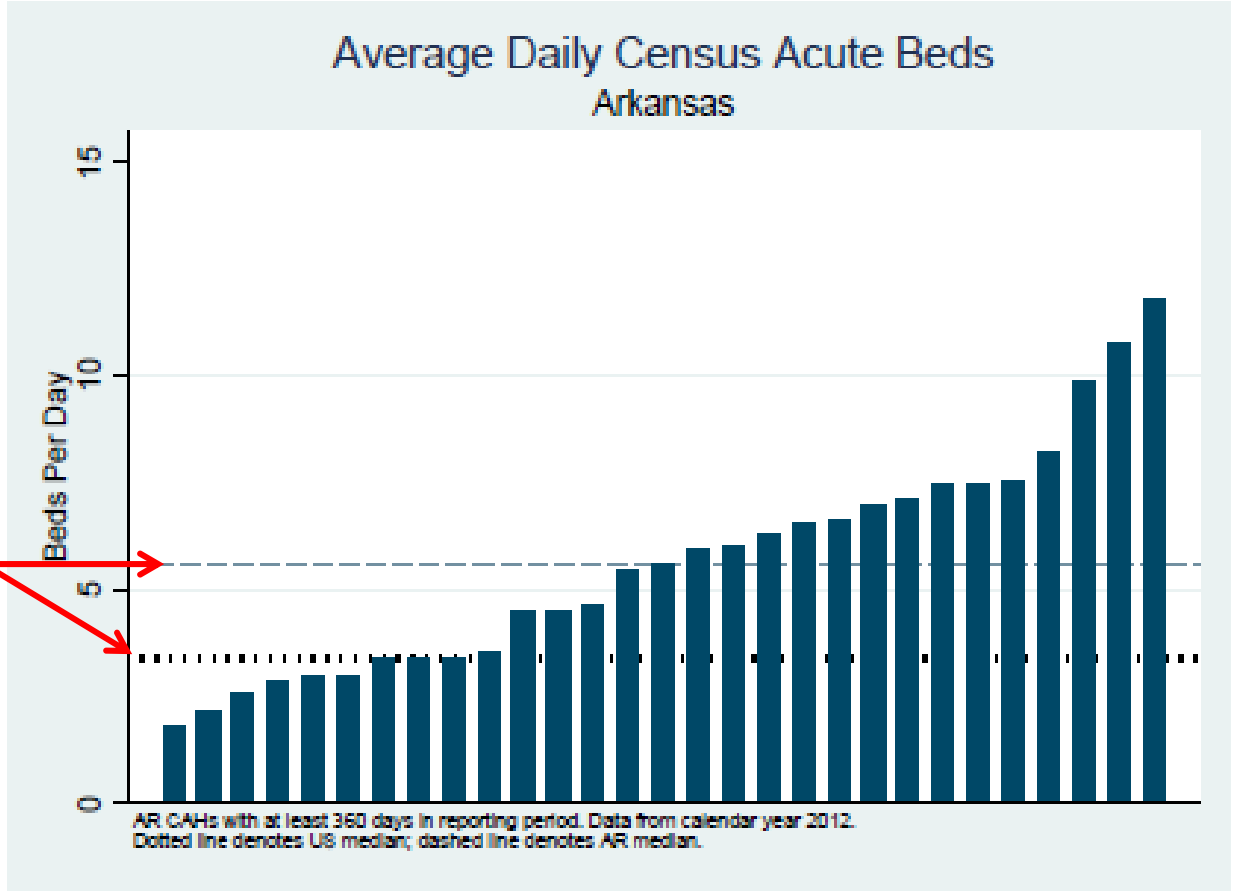


Comparing AR to US: utilization

More inpatient use in AR CAHs

US median

AR median

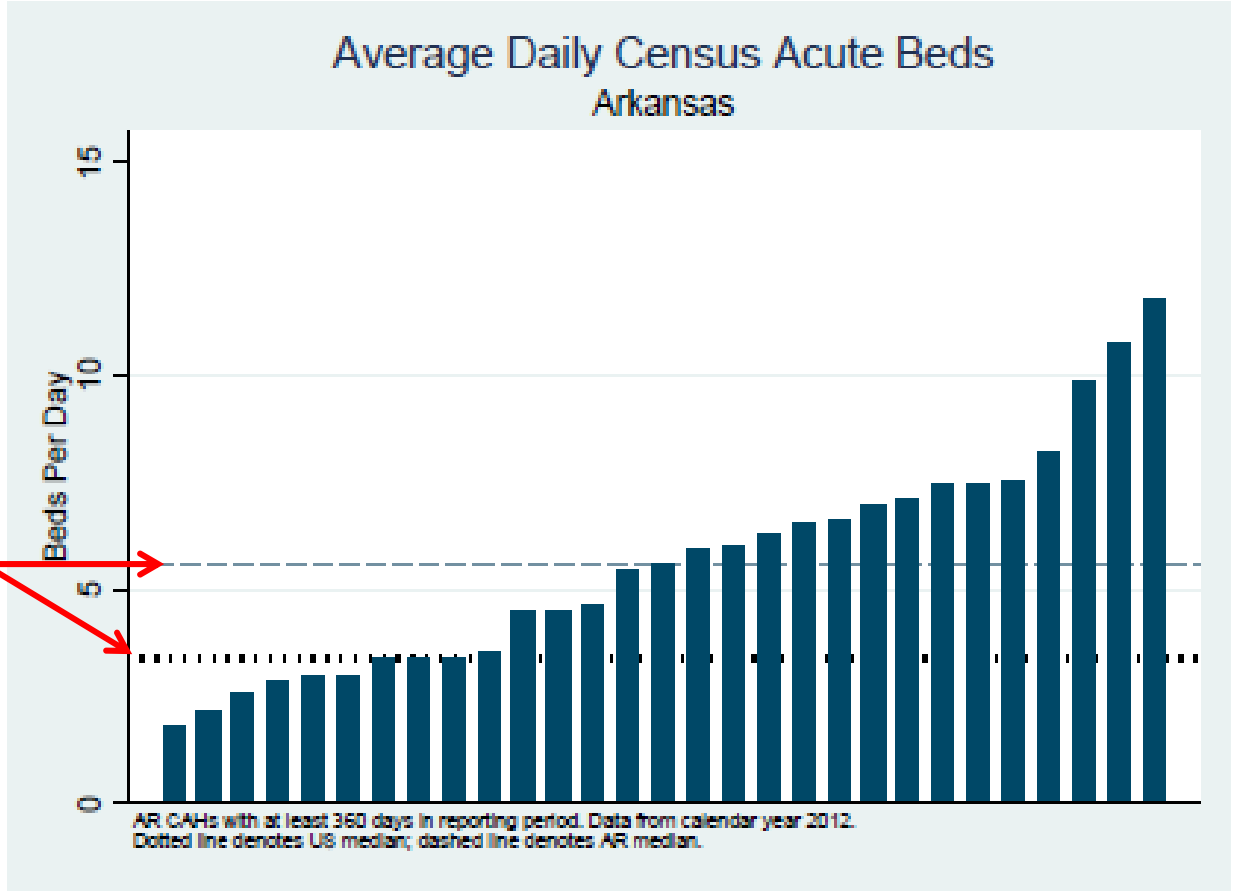


Comparing AR to US: utilization

More inpatient use in AR CAHs

US median

AR median

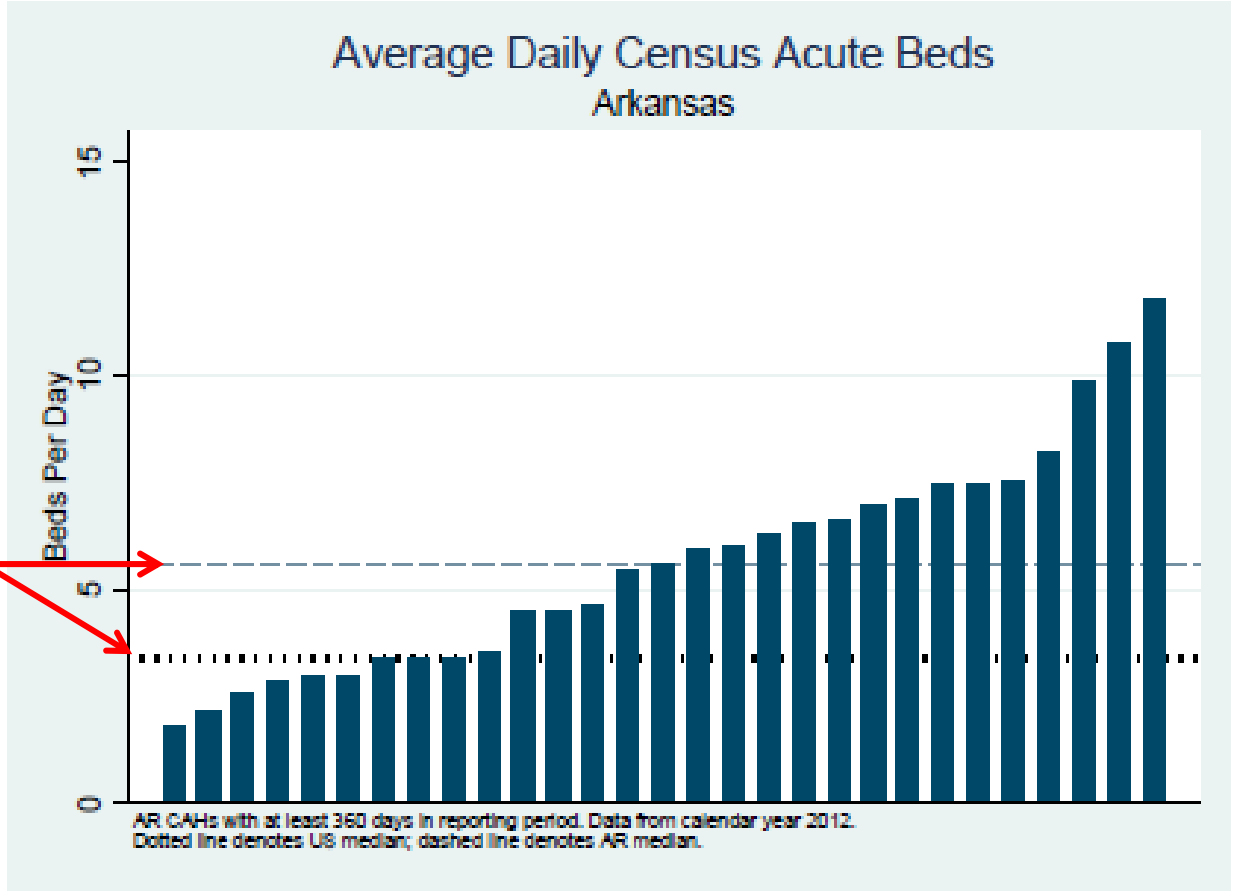


Comparing AR to US: utilization

More inpatient use in AR CAHs

US median

AR median

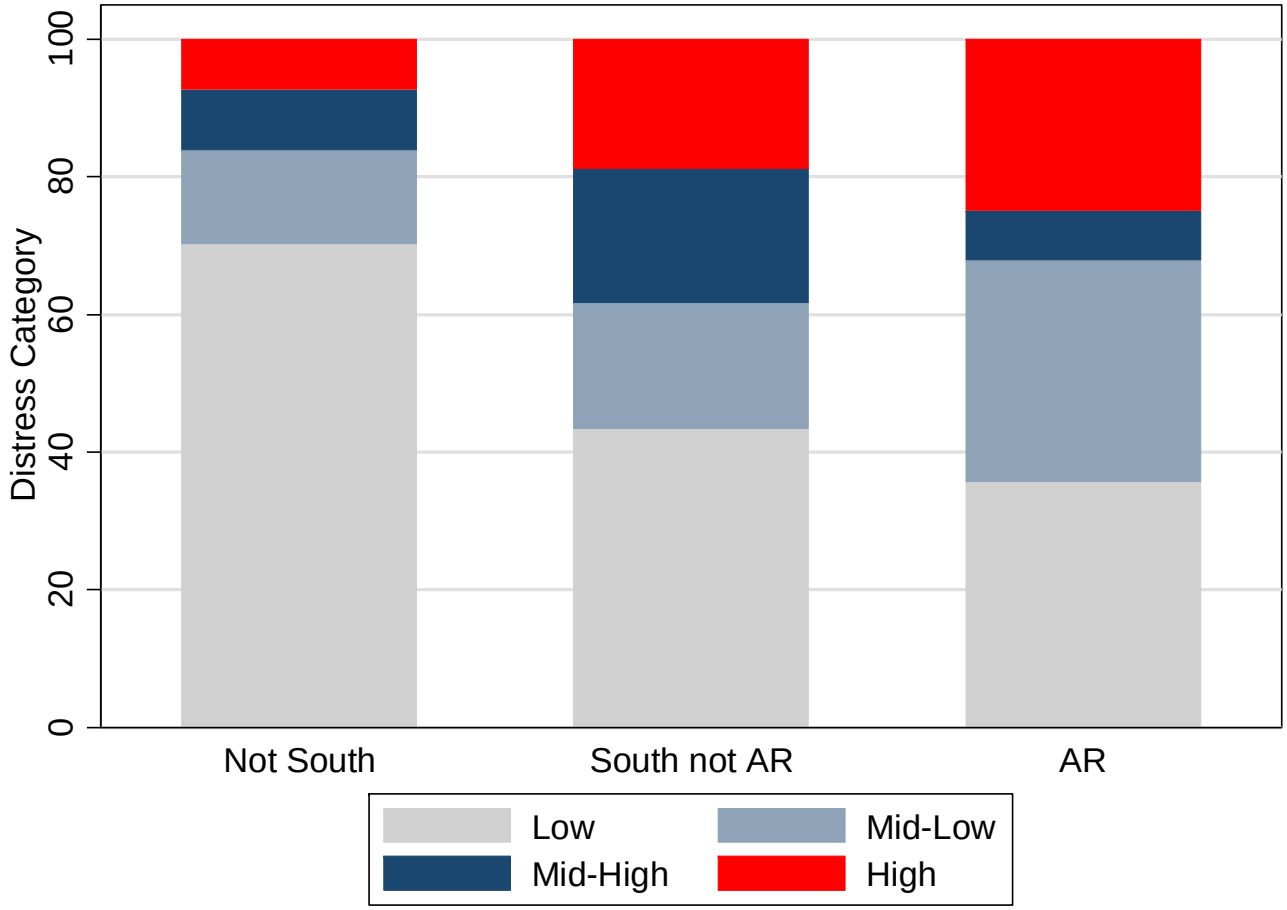


Financial Distress

- We have developed a CAH-specific index of "financial distress"
- Based on current conditions, how likely to be in financial distress within two years?
- Put hospitals into 4 categories based on financials, market, community characteristics
- Does well in aggregate, but hospitals can exist for years as a "high risk"

Comparing AR to US: Financial distress

AR CAHs more likely to be higher distress than other South



Comparing AR to US: Summary

- Arkansas CAHs
  - Higher inpatient use
  - More outpatient reliance (not shown)
  - Lower revenue
    - Reconciling the three: reimbursement levels, other services (e.g. LTC)
  - Slightly less profitable
  - Less liquid
  - More high stress, but more healthy (low/mid-low risk) = bi-modal

A Performance Monitoring Resource for
Critical Access Hospitals, States, and Communities
Flex Monitoring Team
University of Minnesota
University of North Carolina at Chapel Hill
University of Southern Maine

Using the CAH Financial Indicator Report

What is the CAH Financial Indicators Report?

- 22 indicators of financial performance and condition developed with expert advice
- Profitability, liquidity, capital structure, revenue, cost, and utilization
- Peer groups
- Benchmarks
- Hospital market report
- No cost to you – we are funded by the Federal Office of Rural Health Policy

In August 2014

- You received a snail-mail letter from us with your username and password to access the 11th issue of the *CAH Financial Indicators Report* (same username and password as the last 10 years)
- When you go to our new improved website, you will be able to download a variety of state-level, hospital-level and other resources

Hospital-Level Resources Available to CEOs and CFOs

- ***Hospital Summary*** A 2-page summary of findings for your hospital (pdf)
- ***Hospital Report*** A detailed report about 22 financial indicators for your hospital, including comparison to medians for other hospitals in your peer group and state, and the nation (pdf)
- ***Hospital Graphs*** Graphs of 21 financial indicators for your hospital, including comparisons to other hospitals in your peer group and state (pdf)

Other CAHFIR Resources Available to CEOs and CFOs

- ***Presentation*** PowerPoint presentation of the CAHFIR
- ***Calculator*** Excel spreadsheet that produces CAHFIR indicator values using data that you enter
- ***Primer*** PowerPoint presentation of detailed information about ratio analysis and how to use CAHFIR
- Flex Monitoring Team ***Reports and Data*** A complete list of all CAHs as well as reports about CAHs and the Medicare Rural Hospital Flexibility Program

Walking you through the report

- The following slides show pages from the report.
- The black box redacts the name of the (non-AR) CAH used for demonstration purposes

The CAHFIR: Peer Group

- Highlights where (and how!) you were classified
- Many discrepancies between "our" and "your" classification based on definition; some based on MCR data

Peer Group Report for [redacted]

How were the peer groups selected?

An evaluation form accompanied the first issue of the CAH Financial Indicators Report. Many respondents requested comparison of their hospital's performance to similar CAHs, and made suggestions for relevant peer groups. Potential peer groups were reviewed with the technical advisors and assessed using statistical analysis. The peer groups in this report were selected because they were important influences on indicator values.

What are the peer groups?

There are 24 peer groups that were created by identifying whether a Critical Access Hospital:

- **Operated a Rural Health Clinic** as defined by whether any of the Worksheet S-2, Part 1, column 2, line 15.XX [Hospital-Based Health Clinic (specify)] fields have values within the following ranges: 3400–3499, 3975–3999, 8500–8899.
- **Was owned by a government entity** as defined by S-2, Part 1, column 1, line 21 [Type of Control (see instructions)] values 7–13.
- **Had less than $10 million, $10-20 million, or over $20 million in net patient revenue** as defined by net patient revenue (G3, column 1, line 3; [Net patient revenues (line 1 minus line 2)]).
- **Provided long-term care** as defined by whether Worksheet S-3, Part I, column 8, lines 19, 20, and/or 21[Skilled Nursing Facility; Nursing Facility; Other Long-Term Care] are strictly positive and nonmissing. Column 8 is "Total All Patients." Note that this category does not include hospitals that provide long-term care only through swing beds.

What is my peer group?

In 2013 [redacted] was classified in the peer group that:

- **Operated a Rural Health Clinic,**
- **Was Not Owned by a Government Entity,**
- **Had Net Patient Revenue Above 20 Million, and**
- **Provided Long-Term Care**

There were **25** CAHs in this peer group that year. Note that the state and national medians include *all* CAHs. Only the medians referred to as the *peer group* medians are restricted to CAHs with your characteristics. Because peer groups are based on characteristics that change over time, the peer group to which you are assigned for this report may not reflect your current data.

The CAHFIR: Benchmark

Your 2013 Performance Compared to Benchmarks

Indicator	*Your Value*	*Benchmark*	*Benchmark Met?*	*Percent of CAHs Meeting Benchmark*		
				All US	*Your Peers*	*CAHs in* [redacted]
Total Margin (percent)	-4.76	>3	No	47%	52%	56%
Cash Flow Margin (percent)	9.64	>5	Yes	61%	68%	76%
Operating Margin (percent)	-5.45	>2	No	46%	56%	56%
Return on Equity (percent)	*[1]	>4.5	*[1]	55%	65%	74%
Current Ratio (times)	0.79	>2.3	No	50%	32%	42%
Days Cash on Hand (days)	31.13	>60	No	58%	62%	64%
Days Revenue in Accounts Receivable† (days)	66.67	<53	No	49%	52%	68%
Equity Financing (percent)	*[1]	>60	*[1]	51%	54%	63%
Debt Service Coverage (times)	0.89	>3	No	49%	58%	41%
LT Debt to Capitalization† (percent)	*[1]	<25	*[1]	57%	50%	74%
Medicare O/P Cost to Charge† (times)	0.61	<.55	No	71%	88%	88%
Average Age of Plant† (years)	5.18	<10	Yes	53%	50%	33%

- Compares your performance to 12 benchmarked financial indicators
- How did your performance compare to peers? State? US?

The CAHFIR: Market Report

Where did Medicare beneficiaries who reside in my market go for inpatient care?

2012 Medicare Admissions

Beneficiary Residence ZIP	*Percent of Hospital Admissions*	*Share of ZIP*	*Market Leader*	*Leader Share of ZIP*
[redacted]	44.8	33.0	[redacted]	55.8
	6.4	17.7		43.5
	5.2	29.0		48.4
	5.2	22.0		58.5
	4.1	10.9		46.9

Five ZIPs with largest share listed, comprise 65.7 percent of the 172 Medicare admissions in 2012.

What are the socio-demographic characteristics of people who reside in my market compared to the average CAH market in my peer groups?

2012 Market Characteristics

Variable	[redacted]	*Peer Group*
Percent Elderly	22.0	18.0
Percent Unemployed	13.4	8.2
Per Capita Income (dollars)	22,188	21,330
Percent In Poverty	9.4	11.0
Population in Market	20,769	41,737
Population per Square Mile	9.3	29.6
Average Distance to Hospital (miles)	23.2	17.0

What is my (Medicare) inpatient market? What is may market share? Who are my competitors? How does my market compare to others?

The CAHFIR: Outpatient Report

What are my most common (Medicare) outpatient conditions? How do the finances of those compare to national?

Rank	Primary Diagnosis (AHRQ CCS)	*Average Per Claim*		*Average Per Patient*		Average claims per diagnosed patient per year
		Charge	Provider payment	Charge	Provider payment	
1	Cardiac dysrhythmias	$182	$120	$887	$585	4.9
2	Diabetes mellitus w/o complication	$380	$262	$571	$394	1.5
3	Essential hypertension	$445	$298	$547	$367	1.2
4	Other screen susp cond	$388	$246	$401	$254	1.0
5	Disorders of lipid metabolism	$388	$268	$467	$323	1.2
6	Rehab care; prostheses; adj device	$871	$589	$2007	$1357	2.3
7	Spondylosis; intervert disc disord	$1177	$811	$1702	$1172	1.4
8	Other aftercare	$106	$75	$332	$234	3.1
9	Deficiency and other anemia	$377	$258	$764	$521	2.0
10	Cancer of bronchus; lung	$1307	$900	$10049	$6917	7.7
11	Other lower respiratory disease	$632	$422	$776	$518	1.2
12	Other non-traumatic joint disorders	$655	$447	$755	$515	1.2
13	Urinary tract infections	$561	$357	$845	$538	1.5
14	Thyroid disorders	$349	$237	$459	$311	1.3
15	Genitourinary symp and ill-defined	$302	$213	$402	$283	1.3
16	Crnry atherosclerosis oth hrt dis	$600	$394	$966	$633	1.6
17	Nonspecific chest pain	$1820	$1207	$2217	$1470	1.2
18	Abdominal pain	$1281	$868	$1559	$1056	1.2
19	Phlebitis;thrombophlebitis/-embolsm	$132	$89	$686	$462	5.2
20	Other connective tissue disease	$700	$463	$756	$500	1.1
	All Other Diagnoses	$1253	$833	$3150	$2094	2.5
TOTAL		$829	$554	$1595	$1067	1.9

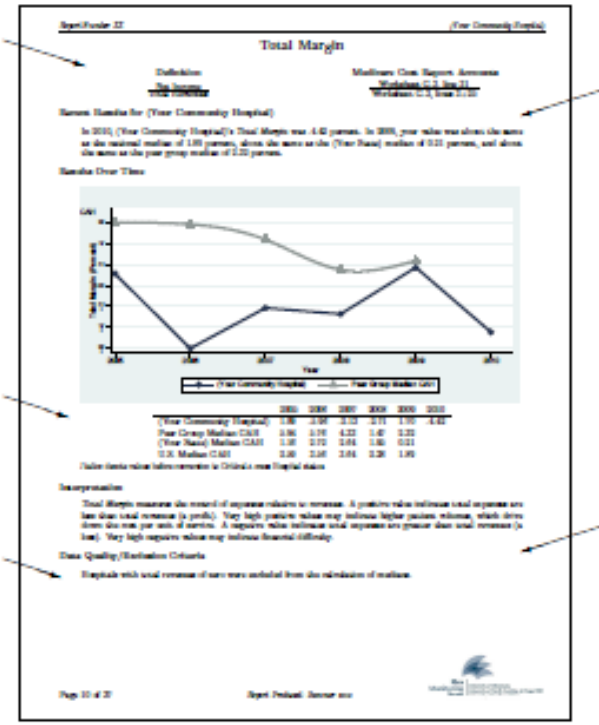
The CAHFIR: Financial Indicator Pages

- The "meat" of the report is the 22 indicator-specific pages, designed to be self-contained

Definitions: The formulae for the indicator in both conceptual and Medicare Cost Report format.

Results Over Time: A graphical comparison of your CAH to your peer group median over the past few years and a tabular comparison of your CAH to your peer group and state medians as well as the national median.

Data Quality/Exclusion Criteria: A description of the rules that were used to define whether a ratio is presented.

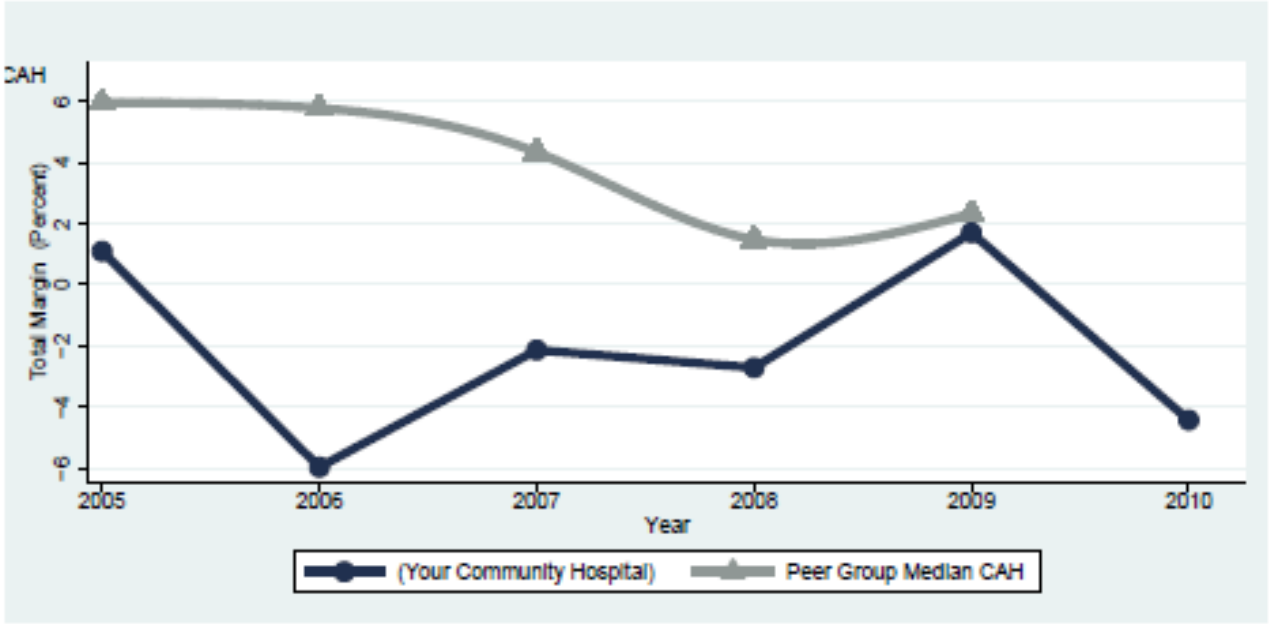


Recent Results for Your Hospital: A snapshot comparing your CAH to your peer group and state and national medians for the most recent year that data are available.

Interpretation: A description of how to interpret the indicator.

The CAHFIR: Financial Indicator Pages

Results Over Time

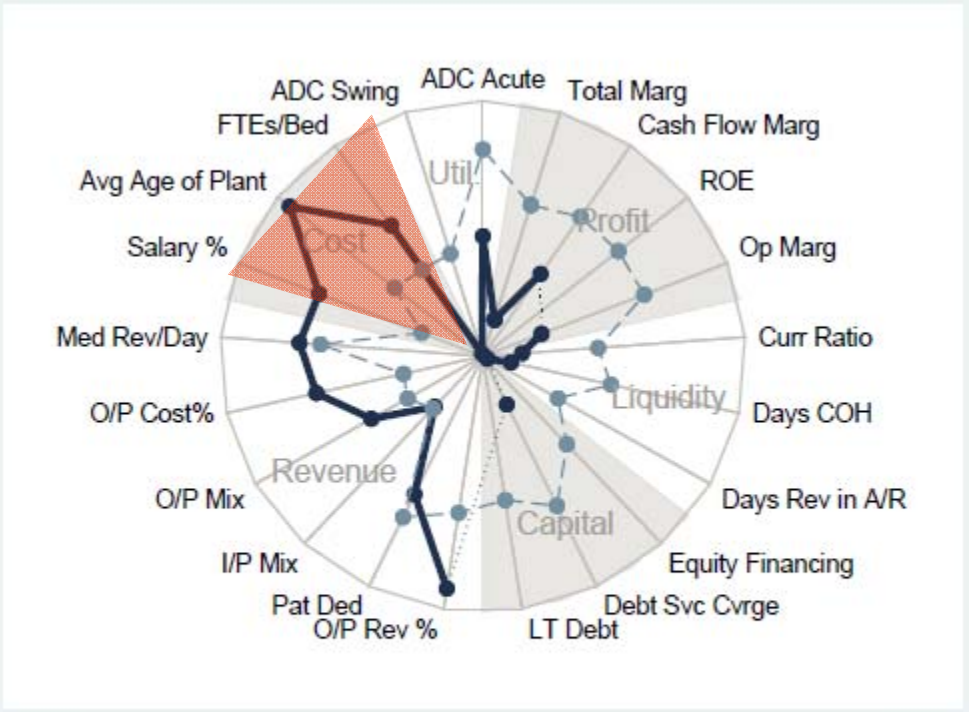


	2005	2006	2007	2008	2009	2010
(Your Community Hospital)	1.09	-5.96	-2.13	-2.71	1.70	-4.42
Peer Group Median CAH	5.94	5.76	4.33	1.47	2.32	
(Your State) Median CAH	1.16	2.72	2.64	1.85	0.21	
U.S. Median CAH	2.59	3.56	3.64	2.38	1.89	

Italics denote values before conversion to Critical Access Hospital status.

The CAHFIR: Star graph

- Summarizes all indicators into one graph
- Look for within-domain patterns
  - Here Cost seems an issue



Points closer to edge of circle denote higher values, but not necessarily better performance.
Hospital values from 2010. Peer group medians from 2009.

The CAHFIR: List of peers

- Lists other hospitals "like" you
- Reach out for collaborative?

List of Peer Hospitals in 2010

CAH administrators have indicated that it is useful to know the identity of peer hospitals in their (and perhaps adjacent) states so that direct comparisons with other similar facilities can be made. This could facilitate dialogue and performance improvement efforts among similar hospitals.

In 2010, *(Your Community Hospital)* was classified in the peer group that **Did Not Operate a Rural Health Clinic, Was Not Owned by a Government Entity, Had Net Patient Revenue Above 20 Million, and Did Not Provide Long-Term Care**. There were **140** CAHs in this peer group that year. Because peer groups are based on characteristics that change over time, the peer group to which you are assigned for this report may not reflect your current data.

Peers for *(Your Community Hospital)* in 2010

CAH Name	*Town/City*	*State*
St. John's Hospital	Berryville	AR
Ashley County Medical Center	Crossett	AR
Stone County Medical Center	Mountain View	AR
Bradley County Medical Center	Warren	AR
Little Colorado Medical Center	Winslow	AZ
Redwood Memorial Hospital	Fortuna	CA
Polk Medical Center	Cedartown	GA

Making it actionable

- Data are necessary – but not sufficient – for quality improvement
- How can the Report be used to improve operational and financial performance?

Making it actionable

- Identify performance gaps:
  - Where are we different – good or bad?
  - Trends in performance? (although you should know this)
  - How much is “outside our control”? (peers, market)
- Look for strategic opportunities (e.g. market)
- Finding collaboratives
- Educating board / local stakeholders

What it cannot do

- We have always been in search of a "if X is low and Y is high and Z is average then you probably…" kind of algorithm that can be used for all 1300 CAHs.
- We are not that smart.
- The CAHFIR is best viewed as a resource for *identifying* gaps and *asking* questions: *solutions* require a more individualized approach

Coming soon

- Web-based query system
- Adding quality (spring) and community (summer?) to the Reports.
- NRHA Annual Meeting presentations

- Watch this space

Shameless plug: Closure Tracking

- We are tracking rural hospital closures – need your help

http://bit.ly/ruralclosures

Contact information

- If you do not have your userid / password please email the *CAH Financial Indicators Report* Team email at:

  CAH.finance@schsr.unc.edu
- Flex Monitoring Team website

  http://www.flexmonitoring.org

  Mailing list
- Twitter: @flexmonitoring